

Decision No. 45921

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
A & B GARMENT DELIVERY, a corporation,) Application No. 32052
for authority to increase its rates.)

Appearances

Arlo D. Poe, for applicant.

James H. Dennison, for Los Angeles Coat & Suit
Manufacturers Association, interested party.

A. Feldman, for California Sportswear & Dress
Association, Inc., interested party.

C. E. Jacobsen, for Transportation Department
Public Utilities Commission. interested party.

O P I N I O N

Applicant is a California corporation engaged in the common carriage of wearing apparel and related articles over public highways in Los Angeles, Orange, Riverside and San Bernardino counties. It seeks authority to establish increased rates and charges and to make certain revisions in its tariff rules and regulations on ten days' notice to the Commission and to the public.

Public hearings of the matters involved were held before Examiner Abernathy at Los Angeles on March 2, and 9, 1951. Evidence was submitted by the president of applicant company, by its chief accountant and by a consulting engineer. Representatives of apparel manufacturers participated in the proceeding as interested parties.

Applicant is engaged in providing a transportation service designed to meet special requirements of the wearing apparel industry. Garments are transported on hangers in closed vehicles

fitted with hanger racks. Wrapping or packaging of the various articles of apparel for shipment is not required. Cloth bags furnished by the carrier are used to protect the garments from being soiled while in transit. Each bag encloses a maximum of 25 or 35 garments, depending upon the territory into which the shipments move.

The shipments which applicant transports originate for the most part at wholesaling and manufacturing establishments located in the central part of the City of Los Angeles. Deliveries are made to retail stores in Los Angeles and in surrounding cities and communities. Service between specified cities, communities and areas, is conducted under authority of certificates of public convenience and necessity authorizing operations as a highway common carrier. Other transportation services are performed by applicant as a permitted carrier.

Evidence was submitted by applicant's witnesses to the effect that the company's operations are resulting in losses. According to an exhibit submitted by the accountant witness, the transportation service for the year 1950 resulted in a loss of \$3,828. Applicant's president attributed the loss to expense increases which have been experienced since 1948, when his company's rates were last adjusted. The large part of the increases, he said, have occurred since the outbreak of hostilities in Korea in the summer of 1950. Examples which the witness cited to show how the costs have increased since 1948 are as follows: fuel costs up 15 per cent; tire costs up 47 per cent; truck equipment costs up 25 per cent; bag costs up 40 per cent; hanger costs up 20 per cent; and stationery and supplies up 15 to 20 per cent. In September, 1950, drivers' wages, a principal item of expense, were increased 20 cents

an hour and helpers' wages were increased 50 cents an hour.¹

Applicant herein seeks authority to increase its rates as a means of restoring its operations to a profitable basis. Assertedly it has effected all known and feasible operating efficiencies to overcome the higher operating costs.

Applicant's present rates for its certificated operations are set forth in its Local Freight Tariffs Nos. 1 and 2 on file with the Commission.² The present rates for the transportation of garments in bags and the rates which applicant proposes to establish are as follows:

Present: 20 cents per bag plus $1\frac{1}{2}$ cents per pound, but not less than 20 cents per bag plus $2\frac{1}{2}$ cents per garment, for all garments except women's blouses or shirts which shall be 1 cent each.

Proposed: 25 cents per bag plus 2 cents per pound, but not less than 25 cents per bag plus 3 cents per garment, for all garments except women's blouses or shirts which shall be $1\frac{1}{2}$ cents each.

For the most part applicant's rates for its noncertificated services are the same as its present rates for its certificated operations.³ According to the testimony of applicant's president,

¹The witness did not indicate the percentages by which drivers' and helpers' costs have been increased. It appears from an exhibit of the accountant, however, that the combined wage increases, plus an allowance for payroll tax increases, exceeded 21 per cent. The accountant calculated that had the higher wage scale prevailed throughout 1950 the additional operating costs would have totaled \$18,590.

² Local Freight Tariff No. 1, Cal. P.U.C. No. 1 (series of Frank J. Brown and Mascotte Ralston d.b.a. A & B Garment Delivery); Local Freight Tariff No. 2, Cal. P.U.C. No. 1 (series of Frank J. Brown d.b.a. A & B Garment Delivery).

³ Applicant's certificated operations, for the most part, consist of common carrier services between the City of Los Angeles on the one hand and points outside of the city on the other hand; the noncertificated operations consist mainly of similar services which are performed within the City of Los Angeles. For convenience the certificated services and the noncertificated services will be referred to hereinafter as "intercity" and "intracity" services, respectively.

increases in the intracity rates are not contemplated. He asserted that the intracity operations are profitable and that increases in the rates applicable thereto are not justified. He said, moreover, that competition is a limiting factor of the volume of the rates that can be maintained for the intracity shipments and that a loss of business to other carriers would follow an increase in intracity rates.

In addition to proposing increases in its rates as hereinabove specified, applicant seeks authority to effect changes in its tariff rules and regulations for the purpose of bringing about uniformity between its tariffs and for the purpose of giving it better control over certain phases of its operations. Differences between the tariff items involved are shown in the following:

	<u>Local Freight Tariff No. 1</u>	<u>Local Freight Tariff No. 2</u>
Maximum allowable garments per bag	35	25
Minimum charge per pickup.....	\$.50	\$1.00
Minimum charge per pickup of refused shipments.....	-20	-35
Minimum weekly guarantee.....	\$1.00	\$2.00

In every case applicant proposes to amend its Tariff No. 1 so as to conform to Tariff No. 2. The witness asserted that, except for the reduction in the number of garments per bag, the sought changes would have very little effect upon his company's charges because it is seldom necessary to apply the minimum charge provisions. He said that differences in the rules governing the maximum number of garments that may be included in a bag have caused considerable confusion, and that as a consequence of practical difficulties of keeping separate the operations under the two tariffs the provisions of Tariff No. 1 have not been uniformly applied heretofore to all of the services which it governs.

In other respects applicant seeks authority (a) to assess a charge of \$3.00 per bag for each garment bag not returned to it by the shipper; (b) to discontinue serving a shipper who misuses the bags;

(c) to establish a storage charge of 60 cents per bag for the first 10 days' storage, plus 10 cents per day for storage thereafter, for shipments refused and held at carrier's terminal through no fault of the carrier; and (d) to limit the time for the filing of claims for lost or damaged merchandise to 90 days after delivery of a shipment, or in the case of failure to make delivery, to 95 days after receipt of shipment by the carrier. The sought charge of \$3.00 per garment bag was stated to be no more than the cost of the bags to applicant. Likewise the sought storage charge was stated to be only sufficient to cover the cost of the service involved. Applicant's president said that difficulty is experienced with shippers who use his company's garment bags for purposes other than for which the bags are furnished. As a result the use of the garment bags is lost to his company. Moreover, the misuse of bags makes difficult the detection of bags of garments stolen from the portable racks used by applicant's drivers in making pickups in buildings in which the shippers' establishments are located.

Regarding the proposed time limits for filing claims, the witness said that his company experiences substantial difficulty and expense in checking claims which are filed long after the delivery of a shipment. The proposed limitations are sought as a means of reducing these difficulties and expense. The witness believed that the sought time limits are not unreasonable under the circumstances applicable to the transportation. He said that because of the proximity of applicant to its consignors and consignees little time is lost in exchange of correspondence over claims. Assertedly, only a few claims for loss or damage are filed against applicant, and the effect of the proposed rule would be small.

The consulting engineer submitted the results of a study which he had made of applicant's revenues and expenses for the period of July to October, 1950. These months were selected for the purpose of the study, it was explained, for the reason that they represent the latest period for which data were available which reflect an enlargement in the scope of applicant's intercity services during the latter part of June, or early July, 1950. In his study the consultant submitted figures as set forth in the following table to show the financial results of the combined operations and the results of intercity and intracity operations separately.

TABLE NO. 1

FINANCIAL RESULTS OF OPERATIONS, JULY THROUGH OCTOBER, 1950

	<u>Intercity Operations</u>	<u>Intracity Operations</u>	<u>Combined Operations</u>
Operating Revenues	\$ 32,335	\$ 69,999	\$102,334
Operating Expenses	<u>48,755</u>	<u>53,582</u>	<u>102,337</u>
Net Operating Revenues	\$ <u>(16,420)</u>	\$ 16,417	\$ <u>()</u> 3
Operating Ratio	150.8%	76.5%	100.0%

() Red figure

The consultant also undertook to show what the results would have been had the increased wage rates, which became effective September 19, 1950, been paid throughout the period, and to show the additional revenue which would have been earned had the sought rates been in effect during the four months. The following data have been developed from the consultant's exhibit of record:

TABLE NO. 2

FINANCIAL RESULTS OF OPERATIONS, JULY THROUGH OCTOBER, 1950
ADJUSTED TO SHOW EFFECT OF WAGE INCREASES AND SOUGHT RATE INCREASES.

	<u>Intercity Operations</u>	<u>Intracity Operations</u>	<u>Combined Operations</u>
Operating Revenue	\$ 39,858(a)	\$ 69,999	\$109,857(a)
Operating expenses	51,325(b)	58,120(c)	109,445(b)(c)
Net Operating Revenues	\$ <u>(11,467)</u>	\$ 11,879	\$ 412
Operating Ratio	128.8%	83.0%	99.6%

() Red figure.

- (a) Includes \$7,523 as additional revenues that would have been received had the sought rates been in effect.
- (b) Includes \$2,570 as additional wage expense which would have been incurred had the increased wage rates been in effect throughout the period.
- (c) Includes \$4,538 as additional wage expense which would have been incurred had the increased wage rates been in effect throughout period.

The consultant pointed out that his study shows that the intercity operations would continue to be conducted at a loss notwithstanding the additional revenues which the increased rates would bring. He expressed the view that applicant would have to look to the development of increased business as a means of further reducing its losses.

It is clear from the record that applicant has experienced substantial increases in operating costs during 1950 and that the impact of these increases has been greatest in the latter half of the year. There seems to be no doubt that applicant is of the opinion that particularly since its wage costs were increased in September, 1950, it has been incurring substantial losses and that even with the benefit of the higher rates herein sought it will not be able to meet the full costs of its operations. However, applicant's conclusions as to the profitability of its services do not conform to the evidence of record. The operating loss which was reported for 1950 was incurred during the early part of the year, before the

bulk of the expense increases became effective. This fact is evident from the following restatement of applicant's revenues and expenses as developed from the record:

TABLE NO. 3
REVENUES AND EXPENSES, 1950, (BY PERIODS)

	<u>Total Revenues</u>	<u>Total Expenses</u>	<u>Net Operating Revenues</u>	<u>Operating Ratio</u>	
January through June	\$126,965	\$131,058	\$(4,093)	103.2%	
July through October	102,334	102,337	(3)	100.0%	
November and December	<u>45,454</u>	<u>45,186</u>	<u>268</u>	<u>99.4%</u>	
	Total	\$274,753	\$278,581	\$(3,828)	101.4%
()	Red Figure				

It will be noted from the foregoing table that revenues for the second half of 1950 were \$20,823 more than those for the first half of the year whereas the increase in expenses was \$16,465. Notwithstanding mounting costs during the latter part of 1950, applicant's operating results for the second six months reflect an increase of \$4,358 in net earnings as compared with those for the earlier period. The record lacks any explanation of the improvement of circumstances. However, in June, 1950, applicant enlarged its intercity operations substantially. It would seem that the improvement in earnings is attributable to the enlargement of the intercity operations.⁴

The intercity services which were begun in June, 1950, apparently have been conducted at a level of profit as indicated by an operating ratio of about 80 per cent. The remaining portion of the intercity operations, the evidence indicates, have resulted in a loss as shown by an operating ratio in excess of 175 per cent. As has been

⁴ It appears that the enlarged operations resulted in an increase of about 60 per cent in applicant's gross revenues from its intercity services.

heretofore noted, the consultant reported earnings from the intracity services as shown by an operating ratio of 76.5 per cent. It is questionable that one portion of the intercity services are, in fact, so much less profitable than the other portion or so much less profitable than the intracity services. The very wide variances in results point to one conclusion, viz., that the data of record do not correctly measure the relative profitableness of the different segments of applicant's operations.

Applicant's conclusions that the intracity operations are substantially more profitable than the intercity services are based upon two main factors: (a) that the intracity revenue per delivery is greater and (b) that the average mileage between deliveries is less than in intercity service. That the margin between the earnings from the intracity and intercity operations is not as great as alleged, however, is shown by the record in three respects.

First, it is clear that the volume of intracity traffic is greatest within the central part of the City of Los Angeles where the large department and apparel stores are located. It appears, however, that competition in this area limits the earnings that applicant may attain. Referring to the activities of these competing carriers, applicant's president said "My competition takes the cream right off the top in the metropolitan area."

Second, it appears that except for shipments delivered in the central part of Los Angeles the average revenue per intracity shipment is not substantially different from that per intercity shipment. The record shows that the revenue per delivery is less for shipments delivered outside of the central area. Applicant's president testified that the stores outside of the area are smaller and receive smaller shipments. He said that his company transports many shipments in intracity service which consist of one to three

garments. Assertedly, intercity shipments are smaller than the intracity shipments. It does not seem, however, that there would be a marked difference in size between the intercity shipments and those intracity shipments delivered outside of the Los Angeles central area.

Third, it appears that in various respects the intercity and intracity services are subject to the same elements of costs. The two services are conducted as an integrated operation. Intercity and intracity shipments are picked up concurrently by the use of the same vehicles and the same drivers; deliveries are made in a similar manner where combination of intercity and intracity routes is advantageous. The same terminal facilities are used for both services. It appears that the main cost differences between the two lie in the delivery costs, since the intercity deliveries generally involve more miles of vehicle operation. Even so, it appears that as between certain routes the costs are the same or quite similar. Delivery costs on applicant's "Southwest" intracity route, the consulting engineer said, would not be much different than those applicable to the intercity "Inglewood", "Glendale", and "San Pedro-Wilmington" routes. For similar reasons it appears that delivery costs on the intracity "Hollywood" route would be much the same as that of the adjacent intercity "Beverly Hills" route. The engineer said, moreover, that higher intercity costs resulting from additional miles of operation would be partly offset by the higher costs per mile resulting from operating the vehicles through traffic congested streets in the intracity services. The amounts of the actual differences in costs are very difficult to measure, he said.

Despite the infirmities of applicant's showing, the record is convincing that applicant's earnings from its operations as a whole are inadequate. Even though the company was able to effect an improvement in its earnings during the latter part of 1950, it is evident that the operating revenues were no more than sufficient to meet the operating costs. A correct evaluation, it appears, of the relative profitableness of the intracity and intercity operations would show that the former are less profitable than alleged but that they are returning some profit and that the latter are resulting in losses but not to the extent claimed. On this record applicant's losses from its intercity services may not be measured with mathematical accuracy. However, it is our judgment, based on the record as a whole, that an increase of 20 per cent in applicant's commodity rates will be sufficient to restore the intercity services to a profitable basis as indicated by an operating ratio of about 93 per cent, before allowance for income taxes. To this extent, the sought authority to establish increased rates will be granted.

We turn now to consider the proposed rule changes.

Proposed Rule Changes

The rule changes by which applicant seeks to bring about uniformity in the minimum charge provisions would result in increases ranging from 75 to 100 per cent. Increased charges would also result from the sought reduction in the allowable maximum in the number of garments per bag. How extensive these latter increases would be cannot be determined from the data of record.

Generally speaking uniformity in a carrier's charges for the same services performed under the same general circumstances in the same general area is desirable, since otherwise the basis of charges would be confusing to the carrier's patrons and would likely result in discriminatory levies. However, uniformity of charges, as an objective, should be attained by adjustments which themselves are shown to be reasonable. The resulting charges should also be shown to be reasonable for the services involved. Applicant herein did not undertake to show the reasonableness of the individual adjustments. There is no basis for presuming that the higher minimum charges in applicant's Local Freight Tariff No. 2 are more or less reasonable than those specified in Local Freight Tariff No. 1. Without further information as to the reasonableness of the changes which are proposed, it does not appear that the sought adjustments are justified.⁵

The proposed charge of \$3.00 per garment bag which applicant seeks to assess for bags lost by or not returned by shippers is one that appears justified in order that applicant be reimbursed for the cost of the bags. With a charge provided for bags lost by or not returned by shippers, the proposal to discontinue service to shippers who use the garment bags for any purpose other than the shipment of garments in applicant's service appears inconsistent with applicant's duties and responsibilities as a common carrier to serve the public.

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Applicant may, if it so desires, achieve uniformity of charges without specific Commission approval by adjusting its Tariff No. 2 charges to conform to those in its tariff No. 1.

The proposed rule relating to discontinuance of service will not be authorized. The charges and rules which are proposed for the storage of shipments refused through no fault of the carrier will be authorized so that applicant may be compensated for the costs it incurs and the services it performs in handling the refused shipments. Regarding the sought limitations with respect to claims, applicant's proposal goes beyond requiring timely notice of filing of claims. The reasonableness of the proposal was not established.

Upon careful consideration of the facts and circumstances of record the Commission is of the opinion and finds that an increase of 20 per cent in applicant's commodity rates and the establishment of the sought charges for garment bags and charges for storage have been justified. In view of applicant's evident need for additional revenues, publication of the increased rates and the bag and storage charges on less than statutory notice also appears justified. In these respects the application will be granted. Applicant's other proposals, which involve reduction in the allowable number of garments per bag, discontinuance of service for misuse of bags, and the sought limitation in time for filing of claims, will be denied for lack of sufficient justification.

ORDER

Public hearings having been held in the above-entitled proceeding, the evidence received therein having been fully considered, and good cause appearing,

IT IS HEREBY ORDERED that A & B Garment Delivery be and it is hereby authorized to amend, on not less than ten (10) days' notice to the public, its Local Freight Tariff No. 1, Cal. P.U.C. No. 1 (Frank J. Brown & Mascotte Ralston, d.b.a. A & B Garment Delivery

APPENDIX "A" TO DECISION NO. 45921

AUTHORIZED AMENDMENTS TO LOCAL FREIGHT TARIFF NO. 1 AND
LOCAL FREIGHT TARIFF NO. 2 OF A & B GARMENT DELIVERY

1. Amend Item No. 15(b) of each tariff so as to include the following provisions:

All such bags furnished by carrier to shipper shall remain the property of carrier, and shall be used for no purpose other than the shipment of garments in carrier's service. Shipper shall be responsible for the return of all such bags to carrier, and a charge of \$3.00 per bag will be made for all bags lost or not returned.

2. Amend Item No. 25 of each tariff so as to include the following provisions:

If delivery of shipment cannot be accomplished, through no fault of carrier, and the return of such shipment to the shipper cannot be accomplished because of the refusal of the shipper to accept it, or otherwise through no fault of the carrier, such shipment may be kept at carrier's terminal or warehouse and shall be subject to a storage charge of 60 cents per bag for the first day of storage, and 10 cents per bag per day for each succeeding day, and shall be subject only to carrier's responsibility as a warehouseman. Thereafter, carrier shall notify both the shipper and consignee by mail that such shipment is being so held in storage, and, unless such shipment shall be called for within thirty days after the mailing of such notice, carrier may sell the same at public auction in accordance with applicable laws of the State of California to satisfy its lien for transportation and storage charges. Subsequent delivery of such shipment by carrier will be subject to transportation charges in accordance with the provisions of this tariff.

3. Amend the paragraphs under heading "RATES", appearing in Item No. 100 series of each tariff, to read as follows:

"24 cents per bag plus 1.8 cents per pound, but not less than 24 cents per bag plus 3 cents per garment, for all garments except women's blouses or shirts which shall be 1.2 cents each."

)End of Appendix)

series) and its Local Freight Tariff No. 2, Cal. P.U.C. No. 1 (Series of Frank J. Brown, d.b.a. A & B Garment Delivery), in the respects set forth in Appendix "A" attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days after the effective date of this order.

IT IS HEREBY FURTHER ORDERED that in all other respects the above-entitled application be and it is hereby denied.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 2nd day of July, 1951.

R. J. [Signature]
Justin J. [Signature]
Harold P. [Signature]
[Signature]
[Signature]
COMMISSIONERS